



A TRUST REVIEW REVEALS A MISSED BENEFICIARY DISTRIBUTION

While onboarding new trusts from a large national bank, LITCO's routine trust review uncovered an overlooked beneficiary distribution that had gone unnoticed for years. By identifying and correcting the error, LITCO ensured the beneficiary received the funds he was rightfully owed.

BACKGROUND:

A large national bank had long served as the corporate trustee for several Irrevocable Life Insurance Trusts (ILITs). As the complexity of trust-owned life insurance grew and regulatory expectations increased, the bank recognized the value of partnering with a trustee that focuses on life insurance trust administration. They chose to transition their trustee duties to LITCO.

As part of LITCO's comprehensive onboarding process, every incoming trust undergoes a meticulous, review to ensure all provisions, administrative actions, and beneficiary entitlements are properly documented and current. This diligence helps uncover discrepancies, missing information, or overlooked obligations that may have accumulated over years of prior administration. During the onboarding review of one trust from this bank, LITCO's remediation team identified a concerning oversight.

THE CHALLENGE:

Within the trust document was a provision that required a discretionary lump-sum payment to the beneficiary upon reaching the age of 60. By the time LITCO began its review, several years had passed since the beneficiary's 60th birthday — yet no distribution had ever been made, and no outreach had been documented. The provision had simply been missed.

Oversights like this can have serious implications: a beneficiary may be deprived of funds intended for them, family relationships can become strained, and in some cases, legal disputes may arise when obligations are not fulfilled. LITCO initiated outreach to the beneficiary to correct the issue.

However, because the beneficiary had never been contacted about the trust before, he was understandably skeptical. He was unaware that he was the beneficiary of his grandfather's trust and initially believed the communication from LITCO might be fraudulent. Building trust and clearly explaining the situation was essential to moving the process forward.



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THE RESULTS:

After LITCO thoroughly explained the trust, its history, and the missed provision, the beneficiary's skepticism quickly turned to relief — and then gratitude. He was overjoyed to learn that he was entitled to a significant lump-sum distribution that had gone unnoticed for years.

This unexpected inheritance had a meaningful impact on his life, allowing him to strengthen his financial position and make decisions that had previously been out of reach. A situation that began with confusion and doubt ultimately became a positive and transformative experience for the beneficiary.

LET LITCO WORK FOR YOU:

This case highlights several essential advantages of partnering with a trustee dedicated to ILIT administration, and demonstrates how LITCO's specialized processes protect both grantor intent and beneficiary rights:

- **Specialized Expertise:** LITCO's deep understanding of ILITs ensures that even the most nuanced provisions are identified, interpreted correctly, and carried out as intended.
- **Proactive Oversight:** The thorough onboarding review caught a missed distribution that could have otherwise remained undiscovered indefinitely.
- **Beneficiary Protection:** LITCO prioritizes clear communication and beneficiary education, helping individuals understand their rights and receive what they are owed.
- **Eliminate ILIT Related-Risk:** By taking over as trustee, LITCO eliminates the ILIT-related risk for the former trustee.

In conclusion, this case demonstrates the meaningful difference that specialized ILIT expertise can make. With LITCO as your successor trustee, your clients gain a level of diligence, accuracy, and beneficiary-focused service that goes far beyond standard industry practices, ensuring every trust is managed exactly as it was intended.